

Information on the Libby Proposal

In FY 2007, the Economic Development Administration (EDA) received a request for \$1.5 million in Public Works program funds to assist in the construction of infrastructure at the Stimson Lumber Mill Site (approximately 400 acres) in Libby, MT. EDA was unable to approve this request because:

- The Libby site lies within an area of hazardous contamination that has been designated a double Superfund site. The two Superfund designations are based upon groundwater and vermiculite contamination. Vermiculite (amphibole) is an especially toxic type of asbestos posing high hazard to human health and the environment.
- EDA has never approved a construction grant for an active, designated Superfund site until at least EPA issues a Record of Decision. The U.S. Environmental Protection Agency (EPA) is the lead federal agency for the Superfund work in Libby. EPA investigation and remediation continue, and this work may lead to EPA issuing its Record of Decision in approximately late 2008 or early 2009.
- The Record of Decision is anticipated to answer a number of important questions surrounding the feasibility and viability of ground-disturbing construction work in the industrial park area, including:
 - Institutional controls that govern any construction on the site.
 - Land use restrictions.
 - The extent of cleanup that has been done, as well as what cleanup was not done and remains as an environmental factor for the use or improvement of the site.
- Until EPA issues its Record of Decision, EDA involvement in a construction project on the industrial park site poses these problems for the recipient (Libby):
 - The possible requirement of an Environmental Impact Statement, which could take a year or more to complete, and the recipient would bear the considerable additional cost. (This possibility also may continue to exist after the Record of Decision is issued.)
 - Costs in delays and additional construction requirements, such as a need to install double piping for water and sewer lines.

- Until EPA issues its Record of Decision, EDA involvement in a construction project on the industrial park site poses these problems for the agency (EDA):
 - o Increased liability exposure for the Federal government, e.g., possible exposure of construction workers to asbestos.
 - o Due to inadequate environmental information, construction may be possible violation of the National Environmental Policy Act of 1969.
 - o Construction work could actually create more environmental issues, such as impact on groundwater and air contamination from unabated vermiculite being disturbed in the soil.

EDA strives to be a careful and prudent steward of the taxpayer dollars entrusted to the bureau. EDA invested time and expertise examining the Libby proposal to see if there were other options to pursue besides the construction of the industrial park. As the internal EDA working group came to understand the barriers to granting Libby's request for a Public Works construction grant prior to EPA's Record of Decision, consideration was given to the possibility of EDA making a non-construction award for architecture and engineering (A&E) design work for the infrastructure. In the end, this option was also determined to be problematic prior to EPA's issuance of a Record of Decision for two reasons:

- o The A&E design work could not be done without more information on the environmental issues affecting the site. This information would need to come from future EPA work or from a separately contracted environmental investigation.
 - o While EDA could support the A&E work, current policy does not allow grants for activities that are predominantly environmental in scope. EPA is the environmental program arm of the Federal government which provides assistance in this area.
- EDA reached the above conclusions after extensive technical staffwork and consultations with EPA. In addition to the support from EDA's Denver Regional Environmental Officer, the Denver Regional Office secured additional environmental review support from EDA's Austin Regional Environmental Officer. This included funding his travel into Denver for meetings with EPA and internal meetings and reviews with EDA.
 - The Denver Regional Environmental Officer ultimately concluded that he could not approve the Public Works grant or an environmental study grant, which is a requirement under EDA's longstanding process for awarding grants.

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Going forward, the Denver Regional Office welcomes the opportunity to consider future proposals for economic development activities in Libby. Given the barriers to EDA assistance on the industrial park site until EPA issues a Record of Decision, Libby is strongly urged to develop a comprehensive economic development strategy for its economic future, thereby identifying strategic components that can proceed in the interim. DRO stands ready to support this strategic planning and to consider grants to implement those components that can move forward prior to issuance of a Record of Decision.